

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	CHARTER TOWNSHIP OF ANN ⁺	County	WASHTENAW	Type	TOWNSHIP	MuniCode	0811010
Opinion Date	Apr 15, 2008	Audit Submitted	Jun 17, 2008	Fiscal Year	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 1,322,915.00
General Fund Expenditure:	\$ 1,337,497.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 2,390,305.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	KENNETH J.	Last Name	PALKA	Ten Digit License Number	1101020707
CPA Street Address	225 E. GRAND RIVER STE 11 ⁺	City	BRIGHTON	State MI	Zip Code 48116
CPA Firm Name	PFEFFER, HANNIFORD & PA ⁺	Unit's Street Address	3792 PONTIAC TRAIL	City	ANN ARBOR
				Zip Code	48105

CHARTER TOWNSHIP OF ANN ARBOR

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

CHARTER TOWNSHIP OF ANN ARBOR

TOWNSHIP OFFICIALS

Supervisor - Michael Moran
Clerk - Rena Basch
Treasurer - Virginia Forshee

BOARD OF TRUSTEES

John Allison
Rena Basch
Richard Dieterle, M.D.
Della Dipietro
Virginia Forshee
Michael Moran
Randolph Perry

LEGAL COUNSEL

Bodman, LLP

TOWNSHIP AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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April 15, 2008

Board of Trustees
Charter Township of Ann Arbor
3792 Pontiac Trail
Ann Arbor, Michigan 48105

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ann Arbor, as of and for the year ended December 31, 2007, which collectively comprise the Charter Township of Ann Arbor's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Ann Arbor's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Ann Arbor, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 7 through 12 and 38 through 41 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Ann Arbor's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information, such as the combining and individual fund statements, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis December 31, 2007

This section of the Ann Arbor Charter Township's annual financial report provides a narrative discussion and analysis of the Township's financial activities for the fiscal year ended December 31, 2007. This narrative discusses and analyzes the activity within the context of the financial statements and disclosures that follow this section. The discussion focuses on the Township's primary governmental functions and, unless otherwise noted, component units reported separately from the primary governmental functions are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Township's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also includes additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Township's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Township's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Township-wide statement of position presenting information that includes all the Township's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township as a whole is improving or deteriorating. Evaluation of the overall health of the Township may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Township's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Township's distinct activities or functions on the revenues generated by the Township.

Both government-wide financial statements distinguish governmental activities of the Township that are principally supported by taxes and revenue sharing from the business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include such activities as general government, public safety, and planning and zoning departments. Business-type activities include water & sewer system operations. Fiduciary activities such as tax collection are not included in the government-wide statements since these assets are not available to fund Township programs.

The Township's financial reporting includes all the funds of the Township (primary government) and, additionally, organizations for which the Township is accountable (component units).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Township uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Township's most significant funds rather than the Township as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the combining statements later in this report.

The Township has three kinds of funds:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Proprietary funds are reported in the fund financial statements and are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary funds are reported in the fiduciary fund financial statements, but are excluded from the government-wide statements. Fiduciary fund financial statements report resources that are not available to fund Township activities.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the Township as a Whole

The Township had implemented the new financial reporting model used in this report beginning with the fiscal year ended December 31, 2004.

The Township's net assets at the end of the fiscal year were \$24,682,604. This is a \$395,084 increase over last year's net assets of \$24,287,520.

The following tables provide a summary of the Township's financial activities and changes in net assets:

SUMMARY OF NET ASSETS DECEMBER 31, 2007 & 2006									
	Governmental Activities			Business Type Activities			Totals		
	12/31/07	12/31/06	Increase (Decrease)	12/31/07	12/31/06	Increase (Decrease)	12/31/07	12/31/06	Increase (Decrease)
ASSETS									
Current and other assets	\$ 7,550,766	\$ 6,355,884	\$ 1,194,882	\$ 6,733,290	\$ 6,575,368	\$ 157,922	\$ 14,284,056	\$ 12,931,252	\$ 1,352,804
Capital assets	3,023,092	2,585,360	437,732	11,420,460	11,775,142	(354,682)	14,443,552	14,360,502	83,050
Total assets	10,573,858	8,941,244	1,632,614	18,153,750	18,350,510	(196,760)	28,727,608	27,291,754	1,435,854
LIABILITIES									
Other liabilities	172,078	285,824	(113,746)	607,154	560,363	46,791	779,232	846,187	(66,955)
Deferred revenues	2,915,772	1,658,047	1,257,725	350,000	500,000	(150,000)	3,265,772	2,158,047	1,107,725
Total liabilities	3,087,850	1,943,871	1,143,979	957,154	1,060,363	(103,209)	4,045,004	3,004,234	1,040,770
NET ASSETS									
Invested in capital assets	3,023,092	2,585,360	437,732	11,420,460	11,775,142	(354,682)	14,443,552	14,360,502	83,050
Unrestricted	4,462,916	4,412,013	50,903	5,776,136	5,515,005	261,131	10,239,052	9,927,018	312,034
Total net assets	\$ 7,486,008	\$ 6,997,373	\$ 488,635	\$ 17,196,596	\$ 17,290,147	\$ (93,551)	\$ 24,682,604	\$ 24,287,520	\$ 395,084

CHARTER TOWNSHIP OF ANN ARBOR
SUMMARY OF CHANGES IN NET ASSETS
FOR THE YEARS ENDING DECEMBER 31, 2007 & 2006

	Governmental Activities			Business Type Activities			Totals		
	12/31/07	12/31/06	Increase (Decrease)	12/31/07	12/31/06	Increase (Decrease)	12/31/07	12/31/06	Increase (Decrease)
REVENUES									
Program revenues									
Charges for services	\$ 507,301	\$ 573,438	\$ (66,137)	\$ 1,130,241	\$ 950,978	\$ 179,263	\$ 1,637,542	\$ 1,524,416	\$ 113,126
Operating grants and contributions	64,519	1,725,885	(1,661,366)		439,600	(439,600)	64,519	2,165,485	(2,100,966)
General revenues									
State shared revenues	295,866	298,240	(2,374)				295,866	298,240	(2,374)
Property taxes	1,784,394	1,578,330	206,064				1,784,394	1,578,330	206,064
Interest	188,741	189,875	(1,134)	275,383	323,297	(47,914)	464,124	513,172	(49,048)
Other	240,683	208,808	31,875				240,683	208,808	31,875
Gain on sale of assets	150,000		150,000	705		705	150,705		150,705
Total revenues	<u>3,231,504</u>	<u>4,574,576</u>	<u>(1,343,072)</u>	<u>1,406,329</u>	<u>1,713,875</u>	<u>(307,546)</u>	<u>4,637,833</u>	<u>6,288,451</u>	<u>(1,650,618)</u>
EXPENSES									
General government	1,003,301	813,221	190,080				1,003,301	813,221	190,080
Fire protection	1,051,365	982,000	69,365				1,051,365	982,000	69,365
Police protection	448,508	369,374	79,134				448,508	369,374	79,134
Street lighting	4,087	3,904	183				4,087	3,904	183
Public works	46,054	44,911	1,143				46,054	44,911	1,143
Farmland preservation	39,554	2,258,335	(2,218,781)				39,554	2,258,335	(2,218,781)
Water and sewer systems				1,649,880	1,550,495	99,385	1,649,880	1,550,495	99,385
Total expenses	<u>2,592,869</u>	<u>4,471,745</u>	<u>(1,878,876)</u>	<u>1,649,880</u>	<u>1,550,495</u>	<u>99,385</u>	<u>4,242,749</u>	<u>6,022,240</u>	<u>(1,779,491)</u>
TRANSFERS	<u>(150,000)</u>	<u>500,000</u>	<u>(650,000)</u>	<u>150,000</u>	<u>(500,000)</u>	<u>650,000</u>			
CHANGE IN NET ASSETS	<u>488,635</u>	<u>602,831</u>	<u>(114,196)</u>	<u>(93,551)</u>	<u>(336,620)</u>	<u>243,069</u>	<u>395,084</u>	<u>266,211</u>	<u>128,873</u>
BEGINNING NET ASSETS - BEFORE PRIOR PERIOD ADJUSTMENT	6,997,373	6,394,542	602,831	17,290,147	17,566,110	(275,963)	24,287,520	23,960,652	326,868
PRIOR PERIOD ADJUSTMENT					60,657	(60,657)		60,657	(60,657)
BEGINNING NET ASSETS - AFTER PRIOR PERIOD ADJUSTMENT	<u>6,997,373</u>	<u>6,394,542</u>	<u>602,831</u>	<u>17,290,147</u>	<u>17,626,767</u>	<u>(336,620)</u>	<u>24,287,520</u>	<u>24,021,309</u>	<u>266,211</u>
ENDING NET ASSETS	<u>\$ 7,486,008</u>	<u>\$ 6,997,373</u>	<u>\$ 488,635</u>	<u>\$ 17,196,596</u>	<u>\$ 17,290,147</u>	<u>\$ (93,551)</u>	<u>\$ 24,682,604</u>	<u>\$ 24,287,520</u>	<u>\$ 395,084</u>

FINANCIAL HIGHLIGHTS OF THE TOWNSHIP'S MAJOR FUNDS

General Fund

The General Fund suffered a small loss (expenditures exceeded revenues) of (\$14,582) for 2007. Township management expected a bigger loss, however, revenues were higher than expected.

Fire Fund

The Fire Fund increased its fund balance in 2007 by \$147,289 mostly due to the curtailing of expenses. The millage supporting fire operations expired in 2007 and was replaced with a combined public safety millage for fire and police. This new millage was being collected on the December 2007 tax roll and will be recognized in the Township's 2008 calendar/fiscal year.

Farmland Preservation Fund

The Farmland Preservation Fund increased its fund balance by \$149,120 in 2007. There were no capital purchases of development rights in 2007.

Capital Improvement Fund

The Capital Improvement Fund is specifically set-up for the fire department's capital purchases. The fund balance decreased \$286,863 in 2007 due to some significant capital purchases.

Public Safety Fund

This is a new fund created to receive and disburse the tax millage levied for police and fire protection. The initial collection for this millage started in December 2007, therefore revenue will not be recognized until 2008.

Water and Sewer Fund

This is the Township's major business fund. This fund spent \$39,796 for system capital improvements and equipment. The fund has a net loss for the year of (\$93,551). This includes depreciation expense of \$394,478.

CAPITAL ASSET AND DEBT ADMINISTRATION

The Township's Capital Improvement - Fire Fund purchased \$602,579 of new capital assets during the year.

The Township did not incur any debt in any fund during the year ending December 31, 2007. As of year end, the Township has no outstanding long-term debt, with outside parties. However, the Water and Sewer Fund did loan to the Farmland Preservation Fund \$500,000 in 2006. The Farmland Preservation Fund paid back \$150,000 to the Water and Sewer Fund in 2007.

ECONOMIC CONDITIONS AND FUTURE ACTIVITIES

Because of the State's deteriorating economy and the national sub-prime mortgage crisis, the State required townships to use a one year sales study for determining property values for tax assessment in 2008, instead of the usual two year study. The result was a reduction in taxable value of approximately \$37,000,000. In addition, a reduction of taxable value of approximately \$28,000,000 resulted from annexation of property by the City of Ann Arbor pursuant to the 1994 Boundary Agreement. The Township generated additional taxable value from the expiration of previously granted business tax abatements and new construction, the net reduction in taxable value for 2008 is \$42,269,119. The Township continues to explore new ways to make our tax dollars go farther.

An example of that exploration is evident in the Township's review of the method and cost of providing police protection. The increase in the cost of police protection provided through a contract with the Washtenaw County Sheriff's Department that was anticipated in the notes to the 2006 audit did occur. The cost of each deputy hired is up more than 85% over the cost in 2002. The Township is exploring several other sources of providing police protection including the establishment of a Police Authority with several other townships and the City of Ypsilanti; or contracting directly with other government entities. While this is under investigation, the Township has entered into a collaboration with Superior Township to pool our respective deputies, giving our Township 24/7 coverage without having to hire additional deputies. Township officials are instrumental in an attempt to create a true centralized dispatch system for police, fire and emergency services in all of the jurisdictions in the County. Such a dispatch system would further reduce our costs.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This report is designed to provide a general overview of the Township's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information, please contact the Charter Township of Ann Arbor at 3792 Pontiac Trail, Ann Arbor, MI 48105; telephone 734-663-3418.

BASIC FINANCIAL
STATEMENTS

GOVERNMENT-WIDE
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
ASSETS			
Cash and investments	\$ 4,804,547	\$ 5,945,443	\$ 10,749,990
Receivables			
Accounts	19,782	275,310	295,092
Assessments	3	350,000	350,003
Taxes	1,553,022		1,553,022
Interest	65,150	141,950	207,100
State shared revenues	51,485		51,485
Intergovernmental	987,773	9,148	996,921
Prepaid expenses	69,004	11,439	80,443
Capital assets			
Land	309,860		309,860
Buildings and improvements	1,927,000		1,927,000
Utility systems		18,377,407	18,377,407
Vehicles and equipment	2,148,871		2,148,871
Less: accumulated depreciation	(1,362,639)	(6,956,947)	(8,319,586)
Total assets	<u>10,573,858</u>	<u>18,153,750</u>	<u>28,727,608</u>
<u>LIABILITIES</u>			
LIABILITIES			
Accounts payable - trade	115,062	220,437	335,499
Accrued wages/pension	7,610		7,610
Accrued connection fees		366,736	366,736
Accrued compensated absences	49,406	19,981	69,387
Deferred revenues	2,915,772	350,000	3,265,772
Total liabilities	<u>3,087,850</u>	<u>957,154</u>	<u>4,045,004</u>
<u>NET ASSETS</u>			
NET ASSETS			
Invested in capital assets, net of related debt	3,023,092	11,420,460	14,443,552
Unrestricted	4,462,916	5,776,136	10,239,052
Total net assets	<u>\$ 7,486,008</u>	<u>\$ 17,196,596</u>	<u>\$ 24,682,604</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ (1,003,301)	\$ 260,242	\$	\$	\$ (743,059)	\$	\$ (743,059)
Fire protection	(1,051,365)	103,652	64,519		(883,194)		(883,194)
Police protection	(448,508)	139,934			(308,574)		(308,574)
Streetlighting	(4,087)	3,473			(614)		(614)
Farmland preservation	(39,554)				(39,554)		(39,554)
Public works	(46,054)				(46,054)		(46,054)
Total governmental activities	<u>\$ (2,592,869)</u>	<u>\$ 507,301</u>	<u>\$ 64,519</u>	<u>\$</u>	<u>(2,021,049)</u>		<u>(2,021,049)</u>
Business-type activities							
Water and sewer	<u>(1,649,880)</u>	<u>1,130,241</u>				<u>(519,639)</u>	<u>(519,639)</u>
Total	<u>\$ (4,242,749)</u>	<u>\$ 1,637,542</u>	<u>\$ 64,519</u>	<u>\$</u>	<u>(2,021,049)</u>	<u>(519,639)</u>	<u>(2,540,688)</u>
General revenues							
		Property taxes			1,784,394		1,784,394
		License and permits			19		19
		State shared revenues			295,866		295,866
		Franchise/metro fees			74,111		74,111
		Rental income			144,156		144,156
		Unrestricted investment earnings			188,741	275,383	464,124
		Other income			20,104	705	20,809
		Fines and forfeits			2,293		2,293
		Gain on sale of assets			150,000		150,000
		Total general revenues			<u>2,659,684</u>	<u>276,088</u>	<u>2,935,772</u>
		Transfers			<u>(150,000)</u>	<u>150,000</u>	
		Changes in net assets			488,635	(93,551)	395,084
		Net assets, January 1, 2007			<u>6,997,373</u>	<u>17,290,147</u>	<u>24,287,520</u>
		Net assets, December 31, 2007			<u>\$ 7,486,008</u>	<u>\$ 17,196,596</u>	<u>\$ 24,682,604</u>

The notes of the financial statements are an integral part of this statement.

FUND
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	Fire Fund	Farmland Preservation Fund	Capital Improvement Fund	Public Safety Fund	Non-major Funds	Totals
<u>ASSETS</u>							
ASSETS							
Cash and cash equivalents	\$ 2,474,456	\$ 842,614	\$ 433,999	\$ 455,859	\$	\$ 597,619	\$ 4,804,547
Receivables							
Accrued interest receivable	65,150						65,150
Taxes receivable	282,883				1,270,139		1,553,022
SAD receivable						3	3
State shared revenue receivable	51,485						51,485
Accounts receivable - other		19,782					19,782
Due from other funds	179,080	1,546	116,531		860,987		1,158,144
Prepaid expenses	17,331	51,493				180	69,004
Total assets	<u>\$ 3,070,385</u>	<u>\$ 915,435</u>	<u>\$ 550,530</u>	<u>\$ 455,859</u>	<u>\$ 2,131,126</u>	<u>\$ 597,802</u>	<u>\$ 7,721,137</u>
<u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES							
Accounts payable	\$ 88,164	\$ 24,679	\$ 1,067	\$	\$	\$ 1,152	\$ 115,062
Accrued payroll	7,610						7,610
Accrued compensated absences		41,520				7,886	49,406
Deferred revenue	584,306		145,195	24,288	2,131,126	30,857	2,915,772
Due to other funds		170,266	105				170,371
Total liabilities	<u>680,080</u>	<u>236,465</u>	<u>146,367</u>	<u>24,288</u>	<u>2,131,126</u>	<u>39,895</u>	<u>3,258,221</u>
FUND BALANCE	<u>2,390,305</u>	<u>678,970</u>	<u>404,163</u>	<u>431,571</u>		<u>557,907</u>	<u>4,462,916</u>
Total liabilities and fund balance	<u>\$ 3,070,385</u>	<u>\$ 915,435</u>	<u>\$ 550,530</u>	<u>\$ 455,859</u>	<u>\$ 2,131,126</u>	<u>\$ 597,802</u>	<u>\$ 7,721,137</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
DECEMBER 31, 2007

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$ 4,462,916
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Historical cost	\$ 4,385,731	
Depreciation	<u>(1,362,639)</u>	
Capital assets net of depreciation		<u>3,023,092</u>
Net assets of governmental activities		<u><u>\$ 7,486,008</u></u>

The notes of the financial statements are an integral part of this statement.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Fire Fund	Farmland Preservation Fund	Capital Improvement Fund	Non-major Funds	Totals
REVENUES						
Taxes	\$ 374,638	\$ 926,905	\$ 327,625	\$	\$	\$ 1,629,168
Tax collection fees	150,086					150,086
Penalties and interest	5,140					5,140
License and permits	19					19
State revenue sharing	295,866					295,866
Special assessments					3,473	3,473
Fees and service	27,195					27,195
Cable franchise fees	68,439					68,439
Metro fees	5,672					5,672
Sales	1,937					1,937
Annexation fees	44,400					44,400
Fines and forfeits	2,293					2,293
Service contract - police	139,934					139,934
Building permits					186,710	186,710
Grant		64,519				64,519
Charges for services		27,229		76,423		103,652
Interest	128,806	31,873	8,549	9,848	9,665	188,741
Rental income	75,629		2,500	66,027		144,156
Miscellaneous	2,861	512			13	3,386
Insurance reimbursement				16,718		16,718
Total revenues	1,322,915	1,051,038	338,674	169,016	199,861	3,081,504
					24,396	
EXPENDITURES						
Board of trustees	24,396					24,396
Supervisor	96,935					96,935
Assessor	100,144					100,144
Election	2,071					2,071
Legal and professional	278,542					278,542
Clerk	102,834					102,834
Technology	15,623					15,623
Treasurer	93,377					93,377
Buildings and grounds	9,234					9,234
Operations	32,481					32,481
Sheriff department	448,508					448,508
Planning commission	58,981					58,981
Zoning board of appeals	21,100					21,100
Roads	46,054					46,054
Other	7,217					7,217
Fire protection		903,749		605,879		1,509,628
Building department					139,835	139,835
Street lighting					4,087	4,087
Farmland preservation			39,554			39,554
Total expenditures	1,337,497	903,749	39,554	605,879	143,922	3,030,601

Excess (deficiency) revenues over (under) expenditures	<u>(14,582)</u>	<u>147,289</u>	<u>299,120</u>	<u>(436,863)</u>	<u>55,939</u>	<u>50,903</u>
OTHER FINANCING SOURCES (USES)						
Sale of assets				150,000		150,000
Transfer out			<u>(150,000)</u>			<u>(150,000)</u>
Total other financing sources (uses)			<u>(150,000)</u>	<u>150,000</u>		
Net change in fund balance	(14,582)	147,289	149,120	(286,863)	55,939	50,903
FUND BALANCE, January 1, 2007	<u>2,404,887</u>	<u>531,681</u>	<u>255,043</u>	<u>718,434</u>	<u>501,968</u>	<u>4,412,013</u>
FUND BALANCE, December 31, 2007	<u>\$ 2,390,305</u>	<u>\$ 678,970</u>	<u>\$ 404,163</u>	<u>\$ 431,571</u>	<u>\$ 557,907</u>	<u>\$ 4,462,916</u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 50,903
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Governmental funds report capital outlay as expenditures.

However, in the Statement of Activities the cost of those assets is allocated over their useful lives as depreciation expense. The amount by which capital outlay exceeded depreciation is as follows:

Capital outlay	\$ 602,579	
Depreciation expense	<u>(164,847)</u>	
Total		<u>437,732</u>

Change in net assets of governmental activities	<u>\$ 488,635</u>
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The notes of the financial statements are an integral part of this statement.

PFEFFER, HANNIFORD & PALKA

Certified Public Accountants

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF NET ASSETS
WATER AND SEWER FUND
DECEMBER 31, 2007

CURRENT ASSETS

Cash and cash equivalents	\$ 3,788,824
Accounts Receivable	275,310
Taxes receivable	350,000
Interest receivable	141,950
Prepaid expenses	11,439
Due from others	<u>9,148</u>

Total current assets		\$ 4,576,671
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RESTRICTED ASSETS

Cash and cash equivalents		2,156,619
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PROPERTY, PLANT AND EQUIPMENT

Water and sewer system	15,586,512
Equipment	2,766,587
Construction in progress	<u>24,308</u>

Total		18,377,407
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Less accumulated depreciation		<u>6,956,947</u>
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Net property, plant and equipment		<u>11,420,460</u>
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Total assets		<u>18,153,750</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable	220,437
Accrued compensated absences	19,981
Deferred revenue	350,000
Accrued connection fees	<u>366,736</u>

Total current liabilities		<u>957,154</u>
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NET ASSETS

NET ASSETS

Invested in capital assets	11,420,460
Unrestricted	<u>5,776,136</u>

Total net assets		<u>\$ 17,196,596</u>
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The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Total</u>
OPERATING REVENUES	
Charges for services and meters	<u>\$ 1,128,152</u>
OPERATING EXPENSES	
Purchases of services	906,777
Wages	102,114
Insurance - employees	40,607
Pension	9,710
Payroll taxes	7,872
Office	241
Printing	1,457
Gasoline and diesel	4,865
Consultants	31,456
Legal and accounting	36,869
Dues and memberships	1,644
Service contracts	8,292
Telephone and utilities	15,069
Insurance and bonds	18,574
Repairs and maintenance	23,000
Building, office and personnel allocation	21,119
Conventions	2,188
Small equipment	21,004
Depreciation expense	394,478
Other operating expenses	1,429
Miscellaneous	<u>1,115</u>
Total operating expenses	<u>1,649,880</u>
Operating (loss)	<u>(521,728)</u>
NON-OPERATING REVENUES (EXPENSES)	
Transfer-in Farmland Preservation Fund	150,000
Interest income - investments	249,945
Connection fees (net)	2,089
Interest income - loan	25,438
Developer's contributions	<u>705</u>
Total other revenues/expenses	<u>428,177</u>
Net (loss)	<u>(93,551)</u>
NET ASSETS, January 1, 2007	<u>17,290,147</u>
NET ASSETS, December 31, 2007	<u><u>\$ 17,196,596</u></u>

The notes of the financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF ANN ARBOR
STATEMENT OF CASH FLOWS
WATER AND SEWER FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM (USED - IN) OPERATING ACTIVITIES

Receipts from customers	\$ 1,032,506	
Receipts from other government agencies	(2,029)	
Payments to and on behalf of employees	(160,303)	
Payments to vendors	<u>(1,035,280)</u>	
Net cash (used in) operating activities		\$ (165,106)

CASH FLOWS FROM (USED - IN) CAPITAL AND RELATED
FINANCING ACTIVITIES

Farmland Preservation Fund loan interest	25,438	
Connection fees, net - city	2,089	
Acquisition of property, plant and equipment	(39,796)	
Transfer from Farmland Preservation Fund	150,000	
Sale of equipment	<u>705</u>	
Net cash from capital and related financing activities		138,436

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	<u>249,945</u>
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Decrease in cash	223,275
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CASH AT JANUARY 1, 2007	<u>5,722,168</u>
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CASH AT DECEMBER 31, 2007	<u><u>\$ 5,945,443</u></u>
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RECONCILIATION OF OPERATING INCOME
TO NET CASH FROM (USED - IN) OPERATING ACTIVITIES

Operating (loss)	\$ (521,728)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities	
Depreciation expense	394,478
Changes in assets and liabilities	
Decrease in prepaid expenses	5,688
(Increase) in due from others	(2,029)
(Increase) in accounts receivable	(95,646)
Decrease in interest receivable	7,340
Increase in accounts payable	47,914
(Decrease) in accrued compensated absences	<u>(1,123)</u>

Net cash from operating activities	<u><u>\$ (165,106)</u></u>
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The notes of the financial statements are an integral part of this statement.

NOTES
TO
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Charter Township of Ann Arbor was incorporated August 11, 1986, under the provision of Act 359 of the Public Acts of 1947, as amended. The policies of the Charter Township of Ann Arbor conform to generally accepted accounting principles as applicable to governments.

The accounting and reporting policies of the Township relating to the funds and account groups included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. The more significant accounting policies of the Township are described below.

A. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Township as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

The government-wide Statement of Net Assets reports all financial and capital resources of the Township (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally the Township would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The Government-Wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Township are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Also, part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds, are combined in a single column on the fund financial statements.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund accounts for all the activity associated with providing fire protection services. This fund is primarily supported through the collection of property taxes.

The Farmland Preservation Fund was created to account for funds used to preserve/maintain the Township's farmland.

The Capital Improvement Fund accounts for all the activity associated with capital asset purchases for the fire department.

The Public Safety Fund was created to account for all the activity associated with the new fire and police millage.

The Township reports the following major proprietary fund:

The Sewer and Water Fund accounts for all the activity associated with the operations and maintenance of operating the sewer and water systems.

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

- A. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
- B. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
- C. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Township's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary funds financial statements are prepared on the same basis (economic resources, measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary funds financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds are eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary funds financial statements.

Proprietary funds account for operations where the intent of the Township is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for any activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges of the activity, or 3) it is the policy of the Township to establish activity fees or charges to recover the cost of providing services, including capital costs.

On the proprietary funds financial statements, operating revenues are those that flow directly from the operations of the activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items such as investment income and interest expense that are not a result of the direct operations of the activity.

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Township has elected for proprietary funds not to apply Financial Accounting Standards Board statements issued after November 30, 1989.

Fiduciary funds account for assets held by the Township in a trustee or agency capacity on behalf of others and, therefore, are not available to support Township programs. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township programs. The Township currently maintains an agency fund to account for the monies collected and paid on behalf of developer's escrow accounts.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Real property is considered a capital asset regardless of initial cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	5 to 50 years
Machinery and equipment	2 to 40 years
Infrastructure	25 to 75 years

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation), as of the date of the transfer.

D. ACCRUED COMPENSATED ABSENCES

The Township has recorded a liability for compensated absences. The policies regarding compensated absences are outlined in the Township's "Rules of Employment".

E. BUDGETARY DATA

The Board of Trustees follow the procedures as outlined in the Uniform Budgeting Manual for Local Units of Government in Michigan in the establishment of the various annual budgets.

The supervisor prepares the annual budgets through information received by the clerk's office. The proposed budget is then submitted for discussion and approved by the entire Township board. The budget is approved by activity rather than line item. If and when it becomes necessary to amend certain amounts in the budget, a proposal outlining the desired changes is made to and approved by the Township board at any of their regular meetings. Budget appropriations made, but not expended by year end, will lapse with the fiscal year end.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. PROPERTY TAXES

Property tax revenues are recognized in the subsequent year, for which the taxes are levied. Property taxes are levied on December 1 each year. These taxes become liens on the property at that date. These taxes are due on February 14, with the final collection date of February 28. The delinquent real property taxes of the Township are purchased by Washtenaw County. The county sells tax notes, the proceeds of which are used to pay the Township for these property taxes. This has yet to take place. The 2006 adjusted taxable value of the Township totaled \$498,854,009. The Township levies the following millage:

General township	0.7669
Fire	1.9003
Farmland preservation	<u>0.6712</u>
Total millage	<u><u>3.3384</u></u>

The 2007 taxable value of the Township totaled \$533,419,379. The Township levied the following millage that will be recognized in 2008.

General township	0.7669
Public safety	3.9800
Farmland preservation	<u>0.6712</u>
Total millage	<u><u>5.4181</u></u>

G. OTHER FINANCING SOURCES (USES)

The transfers of cash between the various funds are budgeted but reported separate from revenues and expenditures as transfers in or (out) unless they represent temporary advances that are to be repaid, in which case they are carried as assets or liabilities of the advancing or borrowing fund.

H. INVESTMENTS

Investments are stated at lower of cost or market.

I. TOTAL COLUMNS ON STATEMENTS - OVERVIEW

Total columns on the statements which combine more than one fund – (overview) does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

J. MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 2 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal Agency obligation repurchase agreements; bankers acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's deposits are as follows:

The Township maintains a petty cash account in the amount of \$130.

	Primary Government	Fiduciary Funds	Total	Bank Balance
Insured	\$ 947,474	\$	\$ 947,474	\$ 947,474
Uninsured and uncollateralized	9,802,517	2,519,223	12,321,740	12,042,668
Total capital assets	<u>\$ 10,749,991</u>	<u>\$ 2,519,223</u>	<u>\$ 13,269,214</u>	<u>\$ 12,990,142</u>

The Township does not have an investment policy.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the governmental funds for the year ended December 31, 2007 was as follows:

	Balance 1/1/07	Additions	Deletions	Balance 12/31/07
Land	\$ 309,860	\$	\$	\$ 309,860
General government	588,507			588,507
Building fund	43,000			43,000
Fire protection	3,241,785	602,579	(400,000)	3,444,364
Total capital assets	4,183,152	602,579	(400,000)	4,385,731
Accumulated depreciation	<u>(1,597,792)</u>	<u>(164,847)</u>	<u>400,000</u>	<u>(1,362,639)</u>
Governmental funds capital assets, net	<u>\$ 2,585,360</u>	<u>\$ 437,732</u>	<u>\$</u>	<u>\$ 3,023,092</u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation expense is being recorded in the government-wide statement of activities based upon the fund and activity utilizing the assets. The Township utilizes the straight line method to depreciate capital assets over their estimated useful lives.

Depreciation expense was distributed to the various activities as follows:

General government	\$ 20,531
Fire protection	<u>144,316</u>
Total	<u><u>\$ 164,847</u></u>

A summary of changes in fixed assets and depreciation for the enterprise fund is as follows:

	WATER & SEWER		
	Balance 1/1/07	Additions	Balance 12/31/07
Sewer system	\$ 6,259,585	\$ 15,488	\$ 6,275,073
Water system	9,311,439		9,311,439
Utility equipment	2,766,587		2,766,587
Construction in progress		24,308	24,308
Total capital assets	18,337,611	39,796	18,377,407
Accumulated depreciation	<u>(6,562,468)</u>	<u>(394,478)</u>	<u>(6,956,946)</u>
Business type, activities capital asset, net	<u><u>\$ 11,775,143</u></u>	<u><u>\$ (354,682)</u></u>	<u><u>\$ 11,420,461</u></u>

Depreciation is charged as an expense against operations.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Water and Sewer Systems	50 years
Equipment	5 to 10 years

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables exist at December 31, 2007. These represent short-term borrowings and amounts owed for reimbursements between other funds.

As of December 31, 2007 the following interfund balances were open.

	<u>Interfund Receivable</u>		<u>Interfund Payable</u>
General fund	\$ 163,352	Current tax	\$ 163,352
Public safety	691,017	Current tax	691,017
Farmland	116,531	Current tax	116,531
Public safety	169,970	Fire fund	169,970
Trust & agency	296	Fire fund	296
Fire fund	1,546	Payroll	1,546
Trust & agency	105	Farmland	105
General fund	15,358	Trust agency	15,358
General fund	<u>370</u>	Payroll	<u>370</u>
Total	<u><u>\$ 1,158,545</u></u>	Total	<u><u>\$ 1,158,545</u></u>

An interfund transfer was made between the Farmland Preservation Fund and Water/Sewer Fund to repay debt as follows:

	<u>Transfer In</u>		<u>Transfer Out</u>
Utilities fund	<u><u>\$ 150,000</u></u>	Farmland preservation	<u><u>\$ 150,000</u></u>

NOTE 5 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to represent cash flows from operations. The following is a schedule of beginning and ending cash and cash equivalents:

	<u>12/31/06</u>	<u>12/31/07</u>
Current assets		
Cash and cash equivalents	<u><u>\$ 5,722,168</u></u>	<u><u>\$ 5,945,443</u></u>

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 6 - PENSION PLAN - DEFINED CONTRIBUTION PLAN

On May 15, 1989, the Charter Township of Ann Arbor signed a single employer defined contribution pension plan and trust agreement with Massachusetts Mutual Life Insurance Company in order to establish a pension plan which will provide retirement and incidental life insurance benefits for its employees. The effective date of this plan was August 1, 1989.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits a participant will receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns on the investments of those contributions.

Employees currently eligible for participation in the plan include all officers of the Charter Township of Ann Arbor including the Supervisor, Treasurer and Clerk and all Township employees who are employed at least twenty hours per week on a regular basis.

Employees currently eligible must be eighteen years of age. Hours of service is computed on the basis of actual hours for which an employee is paid or entitled payment.

No pension provision changes occurred during the year that affected the required contributions to be made.

There are no investments in, loans to, or leases with parties to pension plan or plan officials.

The plan year is January 1 through December 31.

In the event of termination of employment or participation of a participant prior to his or her normal retirement age, the vested interest in that portion of the participant's account derived from employer contributions is 100%.

The Township is required to contribute 10% of compensation per participant. There is no mandatory employee contribution.

Normal retirement age of a participant shall be his sixty-fifth birthday. Retirement prior to normal retirement age will be permitted upon the attainment of age fifty-five and the completion of one year of service.

A summary of the most recent available plan's activity for the period January 1, 2007 to December 31, 2007 is as follows:

BALANCE IN GUARANTEED ACCOUNT, JANUARY 1, 2007	\$ 1,171,231
Contributions	84,647
Withdrawals	(89,944)
Investment Income	<u>107,593</u>
BALANCE IN GUARANTEED ACCOUNT, DECEMBER 31, 2007	<u><u>\$ 1,273,527</u></u>

The Township made contributions totaling \$84,647 for the year ended December 31, 2007. Total covered payroll was \$832,167 and total payroll was \$909,125 for the year ended December 31, 2007.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 7 - POST EMPLOYMENT BENEFITS

In addition to Pension Benefits described in Note 6, the Township provides post employment health care benefits, in accordance with Township ordinances, to all employees who retire from the Fire Department with twelve (12) or more years of service, and are at least fifty-five (55) years of age. Currently one (1) retiree meets those eligibility requirements.

During 2007, the Township paid for the cost of covering this retiree. During the fiscal year 2007, the cost of health care benefits for the retiree was \$1,800.

NOTE 8 - POTENTIAL LOST TAX REVENUES - ANNEXATION

The Township and the City of Ann Arbor have been negotiating annexation of certain Township properties into the city pursuant to the Boundary Agreement signed in 1994. The Agreement conforms with precedence from state courts and provides for systemic planning of services for contiguous areas. Management for the Township has been estimating the lost tax revenue to the Township because of the annexation activities. In 2007, the Township released approximately \$28,000,000 in taxable value to the City of Ann Arbor.

NOTE 9 - SEGMENT INFORMATION FOR ENTERPRISE FUND

The Township maintains a proprietary fund which is financed by user charges. Segment information as of December 31, 2007 follows:

	<u>Water and Sewer System</u>
Operating revenues	\$ 1,128,152
Depreciation	394,478
Operating (loss)	(521,728)
Interest and other non-operating revenues and (expenses)	428,177
Change in net assets	(93,551)
 Current assets	 4,576,671
Current liabilities	957,154
Net working capital	3,619,517
 Total assets	 18,153,750
Total liabilities	957,154
Net assets	17,196,596

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Township is also exposed to losses relating to litigation of zoning issues. Due to the high premiums for zoning insurance (\$25,000 annually) and the low protection received (\$100,000 limited annual coverage with a \$25,000 deductible) the Township Board approved to self insure the Township for zoning litigation. For 2007, \$225,000 of the general fund's fund balance was reserved for zoning litigation.

CHARTER TOWNSHIP OF ANN ARBOR
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 11 - CONTINGENCIES

The Township is involved in various legal actions arising in the normal course of business, mostly related to zoning issues. Management is of the opinion the various legal actions will not have a material effect upon the financial statements.

NOTE 12 - FEDERAL GRANT ACTIVITIES

The Township has been a recipient of federal grants for capital equipment for fire protection. There was \$46,651 received in the current year. However, these funds may still be subject to federal grant audit requirements.

REQUIRED
SUPPLEMENTARY
INFORMATION

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 374,638	\$
Tax collection fees			150,086	
State revenue sharing			295,866	
Planning commission fees			11,800	
Zoning board of appeals			2,250	
Fees and services			11,235	
Cable TV - franchise fees			68,439	
Metro fees			5,672	
Annexation fees			44,400	
Sale of books, maps, etc.			651	
Fines and tickets			2,293	
Interest			128,806	
Penalties and interest			5,140	
Rental income			75,629	
Miscellaneous			5,276	
Police services contract			139,934	
Sale of assets			800	
Total revenues	1,231,834	1,283,154	1,322,915	39,761
EXPENDITURES				
Board of Trustees	28,307	29,313	24,396	4,917
Supervisor	100,769	101,569	96,935	4,634
Election	11,360	11,360	2,071	9,289
Assessor	72,500	72,750	100,144	(27,394)
Clerk	96,445	101,933	102,834	(901)
Treasurer	72,036	76,976	93,377	(16,401)
Legal and professional	200,818	285,780	278,542	7,238
Technology	300	16,580	15,623	957
Buildings and grounds	3,260	10,960	9,234	1,726
Operations	54,975	40,575	32,481	8,094
Sheriff department	476,000	476,000	448,508	27,492
Planning commission	55,184	66,284	58,981	7,303
Zoning board of appeals	20,780	21,319	21,100	219
Roads	50,000	50,000	46,054	3,946
Other	1,310	6,060	7,217	(1,157)
Total expenditures	1,244,044	1,367,459	1,337,497	29,962
Net change in fund balance	(12,210)	(84,305)	(14,582)	69,723
FUND BALANCE, JANUARY 1, 2007	2,404,887	2,404,887	2,404,887	
FUND BALANCE, DECEMBER 31, 2007	\$ 2,392,677	\$ 2,320,582	\$ 2,390,305	\$ 69,723

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 926,905	\$
Grant			64,519	
Charges for services			27,229	
Miscellaneous			512	
Interest			31,873	
Total revenues	<u>977,367</u>	<u>1,037,367</u>	<u>1,051,038</u>	<u>13,671</u>
EXPENDITURES				
Department head - wages			69,400	
Permanent - salaries			274,923	
Part time - wages			15,523	
Over time			87,733	
Holiday, sick and vacation - wages			(3,354)	
Medical			97,497	
Life insurance			12,200	
Dental insurance			9,049	
Retiree health benefits			1,800	
Pension			43,758	
Payroll taxes			37,843	
Employment physicals			1,246	
Paid on-call			40,017	
Office supplies			957	
Purchases			1,618	
Fire fighting supplies			11,743	
Uniform allowances			4,255	
Gasoline			15,485	
Janitorial supplies			1,462	
Audit/accounting			4,900	
Subscriptions and books			1,041	
Membership and dues			325	
Legal			1,305	
Service contracts			15,685	
Telephone			2,503	
Insurance and bonds			52,401	
Electricity			9,282	
Heating			5,688	
Water and sewer usage			375	
Repairs and maintenance - building			22,928	
Repairs and maintenance - equipment			7,885	
Training and improvements			1,227	
Tax chargebacks			74	
Grant expenses			52,565	
Office furniture and equipment			135	
Miscellaneous			2,275	
Total expenditures	<u>938,961</u>	<u>985,654</u>	<u>903,749</u>	<u>81,905</u>
Net change in fund balance	38,406	51,713	147,289	95,576
FUND BALANCE, JANUARY 1, 2007	<u>531,681</u>	<u>531,681</u>	<u>531,681</u>	
FUND BALANCE, DECEMBER 31, 2007	<u>\$ 570,087</u>	<u>\$ 583,394</u>	<u>\$ 678,970</u>	<u>\$ 95,576</u>

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amount		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Service contract	\$	\$	\$ 76,423	\$
Interest			9,848	
Rental income			66,027	
Insurance proceeds			16,718	
Sale of assets			150,000	
Total revenues	141,741	264,741	319,016	54,275
EXPENDITURES				
Capital outlay			602,579	
Repair and maintenance			3,300	
Total expenditures	425,000	606,078	605,879	199
Net change in fund balance	(283,259)	(341,337)	(286,863)	54,474
FUND BALANCE, JANUARY 1, 2007	718,434	718,434	718,434	
FUND BALANCE, DECEMBER 31, 2007	\$ 435,175	\$ 377,097	\$ 431,571	\$ 54,474

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budget Amount			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$	\$	\$ 327,625	\$
Interest			8,549	
Rent income			2,500	
Total revenues	333,736	336,736	338,674	1,938
EXPENDITURES				
Legal Fees			506	
Consultants			8,997	
Debt service - interest			25,438	
Service contracts			4,500	
Miscellaneous			113	
Total expenditures	44,938	45,538	39,554	5,984
Excess (Deficiency) of revenues over (under) expenditures	288,798	291,198	299,120	7,922
OTHER FINANCING SOURCES/USES				
Transfer (out)	(150,000)	(150,000)	(150,000)	
Net change in fund balance	138,798	141,198	149,120	7,922
FUND BALANCE, JANUARY 1, 2007	255,043	255,043	255,043	
FUND BALANCE, DECEMBER 31, 2007	\$ 393,841	\$ 396,241	\$ 404,163	\$ 7,922

SUPPLEMENTARY
INFORMATION

COMBINING
FINANCIAL
STATEMENTS

CHARTER TOWNSHIP OF ANN ARBOR
COMBINING BALANCE SHEET
ALL SPECIAL REVENUE FUNDS
DECEMBER 31, 2007

	Public Safety Fund	Fire Fund	Building Department Fund	Street Lighting Fund	Capital Improvement Fund	Farmland Preservation Fund	Totals
<u>ASSETS</u>							
ASSETS							
Cash and investments	\$	\$ 842,614	\$ 593,741	\$ 3,878	\$ 455,859	\$ 433,999	\$ 2,330,091
Taxes receivable	1,270,139						1,270,139
Due from others		19,782					19,782
Special assessment receivable				3			3
Due from other funds	860,987	1,546				116,531	979,064
Prepaid expense		51,493	180				51,673
Total assets	<u>\$ 2,131,126</u>	<u>\$ 915,435</u>	<u>\$ 593,921</u>	<u>\$ 3,881</u>	<u>\$ 455,859</u>	<u>\$ 550,530</u>	<u>\$ 4,650,752</u>
 <u>LIABILITIES AND FUND BALANCE</u>							
LIABILITIES							
Accounts payable	\$	\$ 24,679	\$ 831	\$ 321	\$	\$ 1,067	\$ 26,898
Accrued compensated absences		41,520	7,886				49,406
Deferred revenue	2,131,126		30,857		24,288	145,195	2,331,466
Due to other funds		170,266				105	170,371
Total liabilities	2,131,126	236,465	39,574	321	24,288	146,367	2,578,141
FUND BALANCE		678,970	554,347	3,560	431,571	404,163	2,072,611
Total liabilities and fund equity	<u>\$ 2,131,126</u>	<u>\$ 915,435</u>	<u>\$ 593,921</u>	<u>\$ 3,881</u>	<u>\$ 455,859</u>	<u>\$ 550,530</u>	<u>\$ 4,650,752</u>

CHARTER TOWNSHIP OF ANN ARBOR
COMBINING BALANCE SHEET
ALL FIDUCIARY FUNDS
DECEMBER 31, 2007

	Escrow Fund	Payroll Fund	Tax Collection Fund	Trust and Agency Fund	Totals
<u>ASSETS</u>					
ASSETS					
Cash and investments	\$ 185,735	\$ 1,916	\$ 2,316,616	\$ 14,957	\$ 2,519,224
Due from other funds				401	401
Due from others	27,690				27,690
	<u>27,690</u>	<u></u>	<u></u>	<u></u>	<u>27,690</u>
Total assets	<u>\$ 213,425</u>	<u>\$ 1,916</u>	<u>\$ 2,316,616</u>	<u>\$ 15,358</u>	<u>\$ 2,547,315</u>
<u>LIABILITIES</u>					
LIABILITIES					
Due to other funds	\$ 213,425	\$ 1,916	\$ 970,900	\$ 15,358	\$ 988,174
Due to others			1,345,716		1,559,141
	<u>213,425</u>	<u>1,916</u>	<u>1,345,716</u>	<u>15,358</u>	<u>1,559,141</u>
Total liabilities	<u>\$ 213,425</u>	<u>\$ 1,916</u>	<u>\$ 2,316,616</u>	<u>\$ 15,358</u>	<u>\$ 2,547,315</u>

CHARTER TOWNSHIP OF ANN ARBOR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDING DECEMBER 31, 2007

	Fire Fund	Building Department Fund	Street Lighting Fund	Capital Improvement Fund	Farmland Preservation Fund	Totals
REVENUES						
Taxes	\$ 926,905	\$	\$	\$	\$ 327,625	\$ 1,254,530
Special assessments			3,473			3,473
Service contract				76,423		76,423
Building permits		186,710				186,710
Grant	64,519					64,519
Charges for services	27,229					27,229
Interest	31,873	9,601	64	9,848	8,549	59,935
Rental income				66,027	2,500	68,527
Miscellaneous	512		13			525
Insurance reimbursement				16,718		16,718
Sale of assets				150,000		150,000
Total revenues	1,051,038	196,311	3,550	319,016	338,674	1,908,589
EXPENDITURES	903,749	139,835	4,087	605,879	39,554	1,693,104
Excess (deficiency) of revenues over (under) expenditures	147,289	56,476	(537)	(286,863)	299,120	215,485
OTHER FINANCING SOURCES (USES)						
Transfers (out)					(150,000)	(150,000)
Net change in fund balance	147,289	56,476	(537)	(286,863)	149,120	65,485
FUND BALANCE, JANUARY 1, 2007	531,681	497,871	4,097	718,434	255,043	2,007,126
FUND BALANCE, DECEMBER 31, 2007	\$ 678,970	\$ 554,347	\$ 3,560	\$ 431,571	\$ 404,163	\$ 2,072,611

INDIVIDUAL
FUNDS

GENERAL
FUND

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments	\$ 2,474,456	
Accrued interest receivable	65,150	
Taxes receivable	282,883	
State shared revenue receivable	51,485	
Due from other funds	179,080	
Prepaid expense	<u>17,331</u>	
Total assets		<u>\$ 3,070,385</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 88,164	
Accrued payroll and related expenditures	7,610	
Deferred revenue	<u>584,306</u>	
Total liabilities		\$ 680,080

FUND BALANCE

Unreserved	2,165,305	
Reserved	<u>225,000</u>	
Total fund balance		<u>2,390,305</u>
Total liabilities and fund balance		<u>\$ 3,070,385</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$	\$ 374,638	\$
Tax collection fees		150,086	
State revenue sharing		295,866	
Planning commission fees		11,800	
Zoning board of appeals		2,250	
Fees and services		11,235	
Cable TV - franchise fees		68,439	
Metro fees		5,672	
Annexation fees		44,400	
Sale of books, maps, etc		651	
Fines and tickets		2,293	
Interest		128,806	
Penalties and interest		5,140	
Rental income		75,629	
Miscellaneous		5,276	
Police service		139,934	
Sale of assets		800	
	<u>1,283,154</u>	<u>1,322,915</u>	<u>39,761</u>
Total revenues			
	1,283,154	1,322,915	39,761
EXPENDITURES	<u>1,367,459</u>	<u>1,337,497</u>	<u>29,962</u>
Net change in fund balance	(84,305)	(14,582)	69,723
FUND BALANCE, JANUARY 1, 2007	<u>2,404,887</u>	<u>2,404,887</u>	
FUND BALANCE, DECEMBER 31, 2007	<u>\$ 2,320,582</u>	<u>\$ 2,390,305</u>	<u>\$ 69,723</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
BOARD OF TRUSTEES			
Per diem - salaries	\$	\$ 5,800	\$
Payroll taxes		473	
Membership dues		11,741	
Service contracts		2,768	
Miscellaneous		46	
Advertising		2,347	
Stormwater expense		1,221	
	<u>29,313</u>	<u>24,396</u>	<u>4,917</u>
Total board of trustees			
SUPERVISOR			
Department head - salary		63,102	
Medical		14,793	
Life insurance		1,995	
Dental insurance		1,004	
Pension		6,310	
Payroll taxes		4,827	
Personnel reallocation		2,857	
Membership/dues		50	
Convention and conferences		738	
Mileage		1,259	
	<u>101,569</u>	<u>96,935</u>	<u>4,634</u>
Total supervisor			
ELECTION			
Per Diem		722	
May election		433	
January election		101	
Operating expense		815	
	<u>11,360</u>	<u>2,071</u>	<u>9,289</u>
Total election			

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
ASSESSOR			
Service contract		96,077	
Operating expense		4,067	
Total assessor	<u>72,750</u>	<u>100,144</u>	<u>(27,394)</u>
LEGAL AND PROFESSIONAL			
Engineering fees		10,273	
Accounting services		6,144	
Audit fees		3,700	
Legal fees		258,425	
Total supervisor	<u>285,780</u>	<u>278,542</u>	<u>7,238</u>
CLERK			
Department head - salary		38,180	
Permanent - salary		42,688	
Leave hours		(3,408)	
Medical		17,752	
Life insurance		2,852	
Dental insurance		1,644	
Pension		8,087	
Payroll taxes		6,186	
Personnel allocation		(12,336)	
Memberships and dues		105	
Mileage		465	
Conventions and conferences		619	
Total clerk	<u>101,933</u>	<u>102,834</u>	<u>(901)</u>
TECHNOLOGY			
Service contracts		8,173	
Repairs and maintenance		580	
Purchases		6,870	
Total technology	<u>16,580</u>	<u>15,623</u>	<u>957</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
TREASURER			
Department head - salary		38,755	
Permanent - salary		35,737	
Leave hours		1,454	
Medical		25,536	
Life insurance		2,461	
Dental insurance		2,177	
Pension		7,449	
Payroll taxes		5,699	
Personnel allocation		(31,423)	
Membership and dues		10	
Mileage		924	
Conventions and conferences		145	
BOR and tribunals		592	
Tax billing service		3,861	
		<u>3,861</u>	
Total treasurer	<u>76,976</u>	<u>93,377</u>	<u>(16,401)</u>
 BUILDINGS AND GROUNDS			
Service contracts		239	
Electricity		5,455	
Heating		2,263	
Repairs and maintenance		3,322	
Ground care and maintenance		1,325	
Miscellaneous		45	
Building allocation		(3,415)	
		<u>(3,415)</u>	
Total building and grounds	<u>10,960</u>	<u>9,234</u>	<u>1,726</u>
 OPERATIONS			
Office and supplies		3,696	
Postage		3,952	
Miscellaneous		2,481	
Telephone		3,718	
Service contracts		14,958	
Insurance and bonds		18,071	
Office equipment		1,649	
Repairs and maintenance		2,100	
Office allocation		(18,144)	
		<u>(18,144)</u>	
Total operations charges	<u>40,575</u>	<u>32,481</u>	<u>8,094</u>
 SHERIFF DEPARTMENT			
Contract fee		441,708	
Membership and dues		6,800	
		<u>6,800</u>	
Total sheriff department	<u>476,000</u>	<u>448,508</u>	<u>27,492</u>

CHARTER TOWNSHIP OF ANN ARBOR
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
PLANNING COMMISSION			
Per diem - wages		13,800	
Payroll taxes		1,086	
Consultants - planning		24,200	
Consultants - engineering		286	
Pre application		235	
Consultants - other		1,621	
Legal fees		9,561	
Advertising and publishing		5,614	
Service contracts		2,100	
Miscellaneous		163	
Conference		315	
Total planning commission	<u>66,284</u>	<u>58,981</u>	<u>7,303</u>
ZONING BOARD OF APPEALS			
Personnel allocation		19,517	
Per Diem		1,400	
Publishing		76	
Payroll taxes		107	
Total zoning board of appeals	<u>21,319</u>	<u>21,100</u>	<u>219</u>
ROADS			
Service contracts	<u>50,000</u>	<u>46,054</u>	<u>3,946</u>
OTHER			
U of M campus		2,163	
Comcast franchise expenses		5,054	
Total other	<u>6,060</u>	<u>7,217</u>	<u>(1,157)</u>
Total expenditures	<u>\$ 1,367,459</u>	<u>\$ 1,337,497</u>	<u>\$ 29,962</u>

PUBLIC
SAFETY
FUND

CHARTER TOWNSHIP OF ANN ARBOR
PUBLIC SAFETY FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Taxes receivable	\$ 1,270,139
Due from other funds	<u>860,987</u>
Total assets	<u><u>\$ 2,131,126</u></u>

LIABILITIES

LIABILITIES

Deferred revenue	<u><u>\$ 2,131,126</u></u>
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FIRE
FUND

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments	\$ 842,614
Accounts receivable	19,782
Prepaid expense	51,493
Due from other funds	<u>1,546</u>
Total assets	<u>\$ 915,435</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 24,679
Due to other funds	170,266
Accrued compensated absences	<u>41,520</u>
Total liabilities	236,465

FUND BALANCE

	<u>678,970</u>
Total liabilities and fund balance	<u>\$ 915,435</u>

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$	\$ 926,905	\$
Grant		64,519	
Charges for services		27,229	
Miscellaneous		512	
Interest		31,873	
		<u> </u>	<u> </u>
Total revenues	<u>1,037,367</u>	<u>1,051,038</u>	<u>13,671</u>
EXPENDITURES	<u>985,654</u>	<u>903,749</u>	<u>81,905</u>
Net change in fund balance	51,713	147,289	95,576
FUND BALANCE, JANUARY 1, 2007	<u>531,681</u>	<u>531,681</u>	
FUND BALANCE, DECEMBER 31, 2007	<u>\$ 583,394</u>	<u>\$ 678,970</u>	<u>\$ 95,576</u>

CHARTER TOWNSHIP OF ANN ARBOR
FIRE FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES			
Department head - wages	\$	\$ 69,400	\$
Permanent - salaries		274,923	
Part time - wages		15,523	
Overtime		87,733	
Holiday, sick and vacation - wages		(3,354)	
Medical		97,497	
Life insurance		12,200	
Dental insurance		9,049	
Retiree health benefits		1,800	
Pension		43,758	
Payroll taxes		37,843	
Employment physicals		1,246	
Paid on-call		40,017	
Office supplies		957	
Purchases		1,618	
Fire fighting supplies		11,743	
Uniform allowances		4,255	
Gasoline		15,485	
Janitorial supplies		1,462	
Audit/accounting		4,900	
Subscriptions and books		1,041	
Membership and dues		325	
Legal		1,305	
Service contracts		15,685	
Telephone		2,503	
Insurance and bonds		52,401	
Electricity		9,282	
Heating		5,688	
Water and sewer useage		375	
Repairs and maintenance - building		22,928	
Repairs and maintenance - equipment		7,885	
Training and improvements		1,227	
Tax chargebacks		74	
Grant related equipment and supplies		52,565	
Office furniture and equipment		135	
Miscellaneous		2,275	
	<u>\$ 985,654</u>	<u>\$ 903,749</u>	<u>\$ 81,905</u>
Total expenditures			

BUILDING
DEPARTMENT
FUND

CHARTER TOWNSHIP OF ANN ARBOR
BUILDING DEPARTMENT FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments	\$	593,741
Prepaid expenses		<u>180</u>
Total assets	\$	<u><u>593,921</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$	831
Accrued vacation and sick pay		7,886
Deferred revenue		<u>30,857</u>

Total liabilities	\$	39,574
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FUND BALANCE

554,347

Total liabilities and fund balance	\$	<u><u>593,921</u></u>
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CHARTER TOWNSHIP OF ANN ARBOR
BUILDING DEPARTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Building permits	\$	\$ 186,710	\$
Interest income		9,601	
Total revenues	<u>201,500</u>	<u>196,311</u>	<u>(5,189)</u>
EXPENDITURES			
Department head		79,740	
Medical		1,440	
Life insurance		2,158	
Dental		1,004	
Pension		7,905	
Payroll taxes		6,047	
Office supplies		1,071	
Gasoline and diesel		1,725	
Audit/accounting		3,115	
Subscriptions and books		479	
Membership and dues		910	
Inspector		10,897	
Conventions		135	
Telephone		798	
Equipment repair and maintenance		248	
Personnel reallocation		9,049	
Purchases		340	
Expense allocation		12,774	
Total expenditures	<u>169,272</u>	<u>139,835</u>	<u>29,437</u>
Net change in fund balance	32,228	56,476	24,248
FUND BALANCE, JANUARY 1, 2007	<u>497,871</u>	<u>497,871</u>	
FUND BALANCE, DECEMBER 31, 2007	<u>\$ 530,099</u>	<u>\$ 554,347</u>	<u>\$ 24,248</u>

STREET
LIGHTING
FUND

CHARTER TOWNSHIP OF ANN ARBOR
STREET LIGHTING FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments	\$ 3,878
Special assessment receivable	<u>3</u>
Total assets	<u>\$ 3,881</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 321
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FUND BALANCE

3,560

Total liabilities and fund balance	<u>\$ 3,881</u>
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CHARTER TOWNSHIP OF ANN ARBOR
STREET LIGHTING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Special assessments	\$	\$ 3,473	\$
Interest		64	
Miscellaneous		13	
Total revenues	<u>3,696</u>	<u>3,550</u>	<u>(146)</u>
EXPENDITURES			
Electricity		3,854	
Miscellaneous		233	
Total expenditures	<u>4,130</u>	<u>4,087</u>	<u>43</u>
Net change in fund balance	(434)	(537)	(103)
FUND BALANCE, JANUARY 1, 2007	<u>4,097</u>	<u>4,097</u>	
FUND BALANCE, DECEMBER 31, 2007	<u><u>\$ 3,663</u></u>	<u><u>\$ 3,560</u></u>	<u><u>\$ (103)</u></u>

CAPITAL
IMPROVEMENT
FUND

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments

\$ 455,859

LIABILITIES AND FUND BALANCE

LIABILITIES

Deferred revenues

\$ 24,288

FUND BALANCE

431,571

Total liabilities and fund balance

\$ 455,859

CHARTER TOWNSHIP OF ANN ARBOR
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Service contract	\$	\$ 76,423	\$
Interest		9,848	
Rental income		66,027	
Insurance proceeds		16,718	
Sale of assets		150,000	
Total revenues	<u>264,741</u>	<u>319,016</u>	<u>54,275</u>
EXPENDITURES			
Capital outlay		602,579	
Repair and maintenance		3,300	
Total expenditures	<u>606,078</u>	<u>605,879</u>	<u>199</u>
Net change in fund balance	(341,337)	(286,863)	54,474
FUND BALANCE, JANUARY 1, 2007	<u>718,434</u>	<u>718,434</u>	
FUND BALANCE, DECEMBER 31, 2007	<u>\$ 377,097</u>	<u>\$ 431,571</u>	<u>\$ 54,474</u>

FARMLAND
PRESERVATION
FUND

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments	\$ 433,999	
Due from other funds	<u>116,531</u>	
Total assets		<u>\$ 550,530</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 1,067	
Deferred revenues	145,195	
Due to other funds	<u>105</u>	
Total liabilities		\$ 146,367

FUND BALANCE

		<u>404,163</u>
Total liabilities and fund balance		<u>\$ 550,530</u>

CHARTER TOWNSHIP OF ANN ARBOR
FARMLAND PRESERVATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$	\$ 327,625	\$
Interest		8,549	
Rent income		2,500	
Total revenues	<u>336,736</u>	<u>338,674</u>	<u>1,938</u>
EXPENDITURES			
Legal Fees		506	
Consultants		8,997	
Debt service - Interest		25,438	
Service contracts		4,500	
Miscellaneous		113	
Total expenditures	<u>45,538</u>	<u>39,554</u>	<u>5,984</u>
Excess (deficiency) of revenues over (under) expenditures	291,198	299,120	7,922
OTHER FINANCING SOURCES (USES)			
Transfer (out)	<u>(150,000)</u>	<u>(150,000)</u>	
Net change in fund balance	141,198	149,120	7,922
FUND BALANCE, JANUARY 1, 2007	<u>255,043</u>	<u>255,043</u>	
FUND BALANCE, DECEMBER 31, 2007	<u><u>\$ 396,241</u></u>	<u><u>\$ 404,163</u></u>	<u><u>\$ 7,922</u></u>

WATER AND
SEWER
FUND

CHARTER TOWNSHIP OF ANN ARBOR
WATER AND SEWER FUND
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Interest income - loan	\$	\$ 25,438	\$
Charges for services		1,128,152	
Interest income - investments		249,945	
Connection fees and expenses (net)		2,089	
Sale of equipment		705	
		<u> </u>	<u> </u>
Total revenues and receipts	<u>1,417,564</u>	<u>1,406,329</u>	<u>(11,235)</u>
EXPENSES AND DISBURSEMENTS			
Purchases of services		906,777	
Wages		102,114	
Insurance - employees		40,607	
Pension		9,710	
Payroll taxes		7,872	
Office		241	
Printing		1,457	
Dues and memberships		1,644	
Gasoline and diesel		4,865	
Consultants		31,456	
Legal and accounting		36,869	
Service contracts		8,292	
Depreciation		394,478	
Repairs and maintenance		23,000	
Conventions		2,188	
Insurance and bonds		18,574	
Utilities and telephone		15,069	
Building, office and personnel allocation		21,119	
Small equipment		21,004	
Other operating expenses		1,429	
Miscellaneous		1,115	
		<u> </u>	<u> </u>
Total expenses and disbursements	<u>\$ 1,797,383</u>	<u>\$ 1,649,880</u>	<u>\$ 147,503</u>

This schedule is prepared on a budgetary basis and as such does not present the expenditures for the year on the basis of generally accepted accounting principles but is presented for supplemental information.

PAYROLL
FUND

CHARTER TOWNSHIP OF ANN ARBOR
PAYROLL FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments

\$ 1,916

LIABILITIES

LIABILITIES

Due to other funds

\$ 1,916

TAX
COLLECTION
FUND

CHARTER TOWNSHIP OF ANN ARBOR
TAX COLLECTION FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments

\$ 2,316,616

LIABILITIES

LIABILITIES

Due to others

\$ 1,345,716

Due to other funds

970,900

Total liabilities

\$ 2,316,616

TRUST AND
AGENCY FUND

CHARTER TOWNSHIP OF ANN ARBOR
TRUST AND AGENCY FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments
Due from other funds

\$ 14,957
401

Total assets

\$ 15,358

LIABILITIES

LIABILITIES

Due to other funds

\$ 15,358

ESCROW
FUND

CHARTER TOWNSHIP OF ANN ARBOR
ESCROW FUND
BALANCE SHEET
DECEMBER 31, 2007

ASSETS

ASSETS

Cash and investments	\$ 185,735
Due from developers	<u>27,690</u>
Total assets	<u>\$ 213,425</u>

LIABILITIES

LIABILITIES

Due to others	<u>\$ 213,425</u>
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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

April 15, 2008

Board of Trustees
Charter Township of Ann Arbor
3792 Pontiac Trail
Ann Arbor, MI 48105

Dear Honorable Board Members:

During our audit of the Charter Township of Ann Arbor we came across some items we would like to discuss with you as part of our audit presentation for the year ending December 31, 2007.

1. The Township does not have an investment policy approved by the Board. We suggest a policy be drafted and presented for approval on an annual basis.
2. There was a certificate of deposit (CD) opened during the year by the previous treasurer. The only signatory on the CD was the name of the previous treasurer. There should be another name or names of approved signers added to accounts when initially opened.

We would like to thank the Township officials and employees that assisted us during the audit process for their cooperation and hospitality.

If you should have any questions, comments or concerns please do not hesitate to call us.

This report is intended solely for the information and use of the Board of Trustees and management of the Charter Township of Ann Arbor and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants